

WATER/TAC/TKM:jrb**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****WATER DIVISION****RESOLUTION NO. W-4379****March 13, 2003****R E S O L U T I O N**

(RES. W-4379), FRUITRIDGE VISTA WATER COMPANY (FVWC). ORDER AUTHORIZING A PURCHASE POWER OFFSET TO RECOVER INCREASE IN PURCHASE POWER EXPENSES PRODUCING AN INCREASE IN ANNUAL REVENUE OF \$34,302 OR 2.52%.

SUMMARY

By Advice Letter No. 74, filed on August 15, 2002, FVWC seeks revision of its tariffs Schedule No.1, General Metered Service, and Schedule No.2, Flat Rate Service, to provide an increase in revenues of \$34,302 or 2.52%. This increase is a result of increased costs for purchased power since FVWC's present rates became effective. The offset rate increases will not result in a rate of return greater than the last authorized for FVWC.

BACKGROUND

FVWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset \$34,302 increase in purchased power costs. The purchased power rates increased when Sacramento Municipal Utility District (SMUD) increased its rates effective May 1, 2001. FVWC's current rates were established on December 10, 2002, pursuant to Resolution (Res.) No. W-4327, which authorized recovery of Department of Health Services (DHS) Fees. FVWC's last general increase became effective on June 14, 2001, pursuant to Res. W-4252, which authorized an increase in rates of \$297,080 or 29.19% for test year 2000 and an additional Consumer Price Index (CPI) increase of \$44,700 or 3.4% in 2001.

Res. W-4294 directs staff to "continue to approve advice letter offset requests by Class B, C and D water and sewer utilities that are not over earning on an actual

basis.” FVWC’s Earnings Test for the calendar year 2001 shows that the company’s actual rate of return was 6.6%, which is below 11.0% adopted in the last general rate case. Therefore, FVWC is not over earning on an actual basis.

DISCUSSION

Effective May 1, 2001, SMUD increased rates for purchased power by \$0.0804 per kilowatt-hour (kWh). This rate increase has resulted in additional \$34,302 purchased power costs for FVWC, which were not covered by the rates authorized in Res. W-4252 in 2001.

The increases in SMUD’s purchased power costs are directly related to water consumption and therefore shall be applied to quantity rates for metered customers and flat rates for the flat rate customers. Service is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action.

NOTICE AND PROTESTS

Notice of the proposed rate increase was published on November 5, 2002 in the newspaper of general circulation as evidenced by proof of publication provided to the Water Division by the utility. There were no protests concerning the proposed offset increase.

FINDINGS

1. Resolution W-4294 directs staff to “continue to approve advice letter offset requests by Class B, C, and D water and sewer utilities that are not over earning on an actual basis.”
2. FVWC’s actual rate of return for calendar year 2001 is less than the rate of return authorized by the Commission.
3. The offset increase sought by FVWC is based on increase in purchased power costs imposed by Sacramento Municipal Utility District May 1, 2001.
4. The May 1, 2001 purchased power increase was not included in rates authorized in FVWC’s last general rate case.

5. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Fruitridge Vista Water Company is authorized, to make effective revised Schedule No. 1, Metered Service, and Schedule No. 2, Flat Rate Service, attached to Advice Letter 74, and to cancel the corresponding presently effective rate schedules.
2. Fruitridge Vista Water Company is directed to maintain a balancing account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on March 13, 2003; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director